VR MALL

INVEST
Investment Advisory

Prepared by - INVESTO

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Contents

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2. VALUATION SUMMARY

Valuation of VR MALL is prepared by the investment advisory company "INVESTO".

Valuation is constructed based on 7 quantitative and qualitative valuation methods, which are used by top venture capital funds, private equity firms and angel investors. The valuation of VR MALL equals 4,306,020 USD.

VR MALL Valuation			
Valuation Methods	**Valuation**	**%**	**Weighted Average Valuation**
Comparable Analysis Method	2,100,000	15.0%	315,000
Berkus Method	1,300,000	15.0%	195,000
ScoreCard Method	2,117,063	15.0%	317,559
Risk Factor Summation Method	2,600,000	15.0%	390,000
DCF Method - Multiple Method	11,127,157	12.0%	1,335,259
DCF Method - Perpetuity Growth Method	7,524,090	12.0%	902,891
Venture Capital Method	5,314,443	16.0%	850,311
VR MALL Valuation			**4,306,020**

We determined the valuation of VR MALL by following 7 start-up valuation methods, which will be described in detail below. Afterwards, we assigned a percentage to each method to determine a weighted average valuation.

Using Silicon Valley and European start-ups valuation percentage distribution expertise on the valuation methodology, we assigned 40 % on quantitative valuation methods result – DCF & Venture capital methods, respectively. We assigned 15 % on the comparable analysis method, which determines valuation using trading peers. 15 % was assigned to qualitative valuation methods – Berkus method, Scorecard Method, and Risk factor summation methods, respectively.

3. COMPARABLE ANALYSIS METHOD

To determine the valuation based on the comparable analysis method, we selected close competitor of VR MALL based on the following criteria:

- Similar services
- Similar industry
- Similar stage of development
- Similar technology solutions

Valuation of VR MALL based on comparable analysis method equals 2,100,000 USD.

Comparable Company Analysis Method Valuation

Company Name	Pre Money Value	Investments	Post Money Value
ByondXR	21,000,000	7,000,000	28,000,000
Obsess	10,200,000	3,400,000	13,600,000
Emperia	2,625,000	875,000	3,500,000
Somnium Space	3,360,000	1,120,000	4,480,000
Min			3,500,000
Average			12,395,000
Median			9,040,000
Max			28,000,000
Iliquidity Discount			40%
VR MALL - Valuation			2,100,000

We selected following start-up as comparable peers and determined

- Pre-money value
- investment
- Post money value

We determined the valuation of these start-ups at the stage of Seed & Series A funding to compare with VR MALL

Afterwards, we determined:

- The minimum value of comparable valuation results
- The average value of comparable valuation results
- The median value of comparable valuation results
- The maximum value of comparable valuation results

we choose minimum results of comparable company's valuation and discounting with illiquidity discount rate.

4. BERKUS METHOD

As one of the most active angel investors in the US, Dave Berkus developed this method from his experience in participating in over 180 technology investments.

Instead of valuing projected financial success, Dave Berkus' method equally values the "elements of progress by the entrepreneur or team that reduces risk of success".

Berkus Method is Qualitative method of valuation, where the assigned value is based on:

- ✈ Sound Idea (basic value, product risk) Prototype condition
- ✈ Prototype (reduces technology risk) Product and sales condition
- ✈ Quality Management Team (reduces execution risk)
- ✈ Strategic Relationships (reduces market risk and competitive risk)
- ✈ Product Rollout or Sales (reduces financial or production risk)

Based on Berkus's valuation method valuation of VR MALL equals 1,300,000 USD.

Checklist / Berkus Valuation Method		
Value Driver	Add to Pre-Money Valuation	Assigned Value
1. Sound Idea (basic value, product risk)	0-500,000	500,000
2. Prototype (reduces technology risk)	0-500,000	200,000
3. Quality Management Team (reduces execution risk)	0-500,000	300,000
4. Strategic Relationships (reduces market risk and competitive risk)	0-500,000	200,000
5. Product Rollout or Sales (reduces financial or production risk)	0-500,000	100,000
VR MALL Valuation		1,300,000

5. SCORECARD VALUATION METHOD

Developed by a prominent angel investor, Bill Payne, the Scorecard Method deduces the valuation of the target company by comparing it to = funded startups at the same stage of development — in this case, pre-revenue.

The scorecard valuation method is a combination of comparable analysis Method and Berkus method. Scorecard valuation method uses comparable analysis method results and adjusts the comparable analysis valuation methods by the following criteria:

- ✈ Strength of management team
- ✈ Stage of business
- ✈ Size of opportunity competition
- ✈ Product & technology
- ✈ Competitive Environment
- ✈ Marketing & sales channels / partnerships
- ✈ Need for additional investments
- ✈ Other.

We determined the venture score per criteria such as the strength of the management team, size of the opportunity, etc. after that we determined factor to each criterion, which is calculated as provided below:

- Weight of value driver X Venture score.

For example, the factor of the strength of the management team equals 0.33 calculated as: 30 % X 110 % = 0.33

After the calculation factor per criteria, we calculated the sum of factors that we multiplied on industry average valuation results. Industry average valuation result X weighted average factor – 2,100,000 X 1.01. Based on the Scorecard valuation method, VR MALL valuation equals 2,117,063 USD.

Scorecard Valuation Method			
Comparable Companies valuation	2,100,000		
Value Driver	Weight	Venture Score	Factor
1. Strength of management team	30%	110%	0.33
2. Size of opportunity	25%	113%	0.28
3. Product & technology	15%	94%	0.14
4. Competitive Environment	10%	100%	0.10
5. Marketing & sales channels / partnerships	10%	50%	0.05
6. Need for additional investments	5%	100%	0.05
7. Other	5%	113%	0.06
Weighted Averge Percent %			1.01
VR Mall Valuation	2,117,063		

6. RISK SUMMATION VALUATION METHOD

The higher the overall risk of investment, the larger the expected return should be, and this will push a valuation down. Developed by The Ohio Tech Angels, the Risk-Factor Summation method forces investors to evaluate different kind of risk types that a startup will face achieving a lucrative exit and assigns a score with a monetary value to each.

Risk summation method adjusts a industry average valuation based on the following risk criteria:

- Management Risk
- Stage of the business
- Legislation / Political Risk
- Manufacturing Risk
- Sales Risk
- Fundraising/capital rising Risks
- Competition Risks
- Technology Risks
- Litigation Risks
- International Risks
- Reputation Risks
- Potential lucrative exit

Each risk criteria are divided by the following three categories:

- Low risk
- High risk
- Very high risk

We determined the valuation by adjusting comparable companies' valuation results with risk values.

- In case of low risk, we add 250,000 USD to comparable companies' valuation results.
- In case of high risk, we subtract 250,000 USD to comparable companies' valuation results.
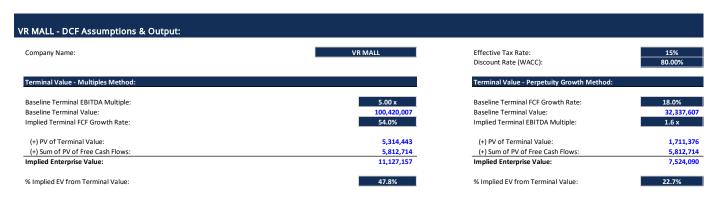- In case of very high risk, we subtract 500,000 USD to comparable companies' valuation results.

Valuation of VR MALL based on the risk summation method equals 2,600,000 USD.

Risk Summation Method			
Comparable Companies valuation	2,100,000		
Risk Criteria	Risk Condition	Risk Value	Cummultavie Value
1. Management Risk	Low	250,000	250,000
2. Stage of The business	Low	250,000	500,000
3. Legislation / Political Risk	high	-250,000	250,000
4. Manufacturing Risk	Low	250,000	500,000
5. Sales Risk	Low	250,000	750,000
6. Fundraising / capital rising Risks	high	-250,000	500,000
7. Competition Risks	high	-250,000	250,000
8. Technology Risks	Low	250,000	500,000
9. Litigation Risks	high	-250,000	250,000
10. International Risks	Low	250,000	500,000
11. Reputation Risks	Low	250,000	750,000
12. Potential lucrative exit	high	-250,000	500,000
Cummulative Risk Wehgted Value			500,000
VR Mall Valuation	2,600,000		

7. DISCOUNTED CASH FLOW METHOD

We determined VR MALL's valuation using the most widely used quantitative valuation method – Discounted Cash Flow Method.

DCF valuation Summary

VR MALL - DCF Assumptions & Output:				
Company Name:	**VR MALL**	Effective Tax Rate:	15%
		Discount Rate (WACC):	80.00%
Terminal Value - Multiples Method:		**Terminal Value - Perpetuity Growth Method:**	
Baseline Terminal EBITDA Multiple:	5.00 x	Baseline Terminal FCF Growth Rate:	18.0%
Baseline Terminal Value:	100,420,007	Baseline Terminal Value:	32,337,607
Implied Terminal FCF Growth Rate:	54.0%	Implied Terminal EBITDA Multiple:	1.6 x
(+) PV of Terminal Value:	5,314,443	(+) PV of Terminal Value:	1,711,376
(+) Sum of PV of Free Cash Flows:	5,812,714	(+) Sum of PV of Free Cash Flows:	5,812,714
Implied Enterprise Value:	11,127,157	**Implied Enterprise Value:**	7,524,090
% Implied EV from Terminal Value:	47.8%	% Implied EV from Terminal Value:	22.7%

We determined VR MALL valuation based on the following method:

- Based on the Multiple Method, the valuation of VR MALL equals 11,127,157

USD. Terminal value using multiple methods is calculated as:

Exit Year EBITDA multiplied by baseline terminal EBITDA multiple. We determined the following assumption on our DCF method:

Baseline terminal EBITDA Multiple is calculated based on adjusting peer's results which determines that Enterprise Value / EBITDA multiple in the
5th year will equal 5.0 X multiple.

After determining the Baseline terminal EBITDA Multiple, we determined baseline terminal value, which is calculated as:

Terminal year EBITDA (EBITDA on 5th year) X terminal EBITDA multiple.

- Based on Perpetuity Growth Rate Method valuation of VR MALL equals 7,524,090 USD.

Terminal value using the perpetuity growth rate method is calculated as:

EXIT year FCFF (FCFF on 5th year) X (1 + growth rate) / (WACC - growth rate).

We determined the following assumption on DCF method:

We determined the long-term growth rate, which is derived from the historical long term growth rate of the market and determined that the 5 long-term growth rate will be equal to 18 %. $5th$ year period

We determined the required IRR/weighted average cost of capital based on the start-up's stage and investor's requirement of 80 %,

After determining the Baseline terminal EBITDA Multiple, we determined the baseline terminal value, which is calculated as:

Terminal year FCFF X (1+ Growth Rate)/(WACC – Growth Rate).To determine the enterprise value, we:

- ✈ discounted terminal value by required WACC
- ✈ calculated Free cash flow to a firm – FCFF next 5 years.
- ✈ Discount free cash flow to firm values each year by required WACC

Finally, we calculated the DCF valuation by adding up the discounted terminal value and discounted free cash flows.

As we mentioned, required IRR / WACC – the weighted average cost of capital of VR MALL equals 80 %.

8. VENTURE CAPITAL VALUATION METHOD

We constructed a venture capital method based on estimation using in discounted cash flow method valuation, which calculated post-money & pre-money value.

Venture Capital Method

Terminal Year EBITDA	**20,084,001**
EBITDA Multiple	**5.00 x**
Exit Value	100,420,007
Time to exit	5
IRR	80.0%
Investment Amount	466,460
Number of existing shares	100,000
Post-Money	5,314,443
Pre-Money	4,847,983
Ownership fraction of investors	8.8%
Ownership fraction of entrepreneurs	91.2%
Number of new shares	9,622
Price per share	48